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SECTION-BY-SECTION ANALYSIS
AND EXPLANATION OF PROVISIONS OF

H.R. 5710

THE "SOCIAL SECURITY AMENDMENTS OF 1967"

AS INTRODUCED ON FEBRUARY 20, 1967

PREPARED AND FURNISHED BY

THE DEPARTMENT OF HEALTH, EDUCATION,
AND WELFARE

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SECTION-BY-SECTION ANALYSIS OF H.R. 5710 ¹

I. SCOPE OF THE BILL

This bill provides for a number of needed improvements in our social insurance system and in both the public welfare and child-health provisions of the Social Security Act. It also revises the present income tax treatment of the aged.

Title I of the bill covers the old-age, survivors, and disability insurance program and the health insurance program under the Social Security Act. It revises and improves the benefit and coverage provisions, and it also expands the scope of the medicare program while at the same time makes necessary adjustments in that program to take into account administrative problems which have arisen in the first year of its operation. Consistent with the policies established by Congress in the past, the improvements made by the bill will be fully financed and the programs will continue to be self-supporting and on a sound actuarial basis.

Title II of the bill deals with the public assistance provisions in the Social Security Act. It is designed to increase the adequacy of public assistance payment, to provide work incentives through the establishment of community work and training programs, and to improve and make more equitable the provision for medical assistance. In addition, this title assists in the extension of child-welfare services and authorizes temporary assistance to migratory workers.

Title III deals with the child-health provisions of the Social Security Act. It makes provision for encouraging early findings of defects and chronic illnesses of children and for remedying these defects. It also provides a dental care program for children and makes several other changes designed to protect the health of children and mothers.

Title IV contains general provisions and provides for the establishment of a social work manpower and training program and permits the coordination of grants made under Federal statutes.

Title V deals with the income tax treatment of the aged. It would eliminate the complex features of present law in this area and provide a simple and uniform method of equitably taxing all aged taxpayers.

II. SUMMARY OF THE PROVISIONS OF THE BILL

TITLE I—OLD-AGE, SURVIVORS, DISABILITY, AND HEALTH INSURANCE

PART 1—BENEFITS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

Section 101. Increase in old-age, survivors, and disability insurance benefits

This section provides a general benefit increase for current and future beneficiaries. Benefits are increased across the board by at

¹ This material has been prepared and furnished by the Department of Health, Education, and Welfare.

least 15 percent, with a minimum benefit of \$70, instead of the present \$44. The maximum retirement benefit payable under present law for a worker alone is \$168, on the basis of average monthly earnings of \$550; the maximum retirement benefit under the bill is \$288, on the basis of average monthly earnings of \$900. Maximum family benefits payable for the future will range from \$105 to \$540 a month, compared with the present range of \$66 to \$368. Families already on the rolls will receive at least 15 percent more than at present.

Section 102. Special minimum primary insurance cost

A special minimum benefit would be given for long-service workers. It would be equal to \$4 multiplied by the number of years of coverage up to 25, so that a worker with 25 years or more of coverage will receive a benefit of at least \$100 a month.

Section 103. Maximum amount of a wife's or husband's insurance benefit

The section provides that the amount of a wife's benefit or a husband's benefit shall not exceed \$90. No such limitation appears in present law.

Section 104. Increase in benefits for certain individuals age 72

Under this section there would be an increase from \$35 a month to \$50 a month the special amount that is paid to certain people age 72 and over who have not worked in covered employment sufficiently long enough to meet the regular insured status requirements, or who had no work covered under social security. This special payment to couples would be increased from \$52.50 to \$75 a month.

Section 105. Widow's benefits to disabled widows under age 62

This section provides for the payment of a cash benefit to a widow who is disabled, regardless of her age. Under present law, a widow's benefit is payable at age 62 (or at age 60 on a reduced basis). In order to qualify for this benefit, the widow would have to meet the present definition of disability applicable to insured workers. In addition, the onset of her disability would have to occur no later than 7 years after her husband died or after the termination of her entitlement to benefits as a mother with dependent children.

Section 106. Increase in amount an individual is permitted to earn without suffering full deductions from benefits

There would be an increase from \$1,500 to \$1,680 in the amount a beneficiary could earn in a year without suffering a deduction in his social security benefits, and an increase from \$125 to \$140 in the amount a beneficiary could earn in a month and still get his benefit for that month, regardless of his annual earnings. If earnings exceeded \$1,680, \$1 in annual benefits would be withheld for each \$2 of earnings between \$1,680 and \$2,880, and for each \$1 of earnings over \$2,880.

Section 107. Increase of earnings counted for benefit and tax purposes

This section provides for an increase in the maximum amount of earnings taxable and creditable toward social security benefits from the present \$6,600 to \$7,800 for the years 1968 through 1970, to \$9,000 for the years 1971 through 1973, and to \$10,800 for years after 1973.

Section 108. Changes in tax schedules

Under this section the tax rate schedule is revised to provide (1) the tax rate for the self-employed for 1969 to 1972 would be 6.8 percent (instead of 6.6 percent); (2) the employee-employer rate would be 9 percent in 1969 to 1972 (instead of 8.8 percent); and (3) the employee-employer rate for 1973 and thereafter would be 10 percent (instead of 9.7 percent).

Section 109. Disability insurance trust fund

This section would increase the percentage of taxable wages appropriated to the disability insurance trust fund (now at 0.70 of 1 percent) to 0.95 of 1 percent and would increase the percentage of self-employment income (now at 0.525 of 1 percent) to 0.7125 of 1 percent.

Section 110. Elimination of provisions denying benefits to individuals because of membership in certain organizations

This would repeal certain provisions of the Social Security Amendments of 1965 and of the Social Security Act relating to members and employees of certain organizations and to persons convicted of certain specified offenses.

PART 2—COVERAGE UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

Section 115. Coverage of agricultural labor

The annual cash wage test for social security coverage on the basis of agricultural labor would be reduced from the present \$150 to \$50. In addition, the time test would be reduced from 20 days a year to 10 days a year. For this purpose, wages of \$50 a year would result in a quarter of coverage to a total of 4 in a year for each \$50 of annual covered farm wages (instead of for each \$100 as in present law).

Section 116. Transfer of Federal employment credits

This section would permit the crediting as remuneration for employment for social security purposes pay for Federal service covered under the civil service or Foreign Service retirement system, if the worker has no protection under either retirement system at the time of his death, disablement, or retirement. It would also provide for the transfer from the civil service retirement and disability fund and the Foreign Service retirement and disability fund to the social security trust funds amounts equal to the proportionate cost of social security benefits paid in each fiscal year that are attributable to the credits for Federal service, with interest from the date of the benefit payments.

Section 117. Shrimphoat fishermen and truck loaders and unloaders

This would clarify the employee status of shrimphoat fisherman and persons loading and unloading trucks to the extent that it would designate the individual who is to be considered the employer of these individuals. Under present law as interpreted by the courts, there is some question as to who is responsible for paying the employer's share of social security taxes on their earnings, although it is clear that the services of these individuals are covered under the social security system.

PART 3—HEALTH INSURANCE BENEFITS

Section 125. Health insurance for the disabled

Under this section hospital insurance protection would be extended to social security disability beneficiaries under age 65 (including insured workers, adults getting benefits based on childhood disabilities, and disabled widows) and qualified railroad retirement annuitants. It would also make supplementary medical insurance available to these people on the same basis as to the aged.

Section 126. Health insurance payments to Federal facilities

This would delete from present law the provision which prohibits the payments of medicare benefits on behalf of individuals who are furnished covered services by a Federal provider of service.

Section 127. Inclusion of nonroutine podiatrists' services under the supplementary medical insurance program

Under this section podiatrists' services, except for routine foot care which is excluded whether performed by a podiatrist or by a physician, would be included as a covered service under the supplementary medical insurance program. Payment would be made for these services, subject to the deductibles and coinsurance applicable to that program.

Section 128. Increase in membership of the National Medical Review Committee

This section would increase membership in the National Medical Review Committee from nine to 16 members. This committee is established under the medicare program to study the utilization of hospital and other medical care and services for which payment may be made under that program.

Section 129. Depreciation allowance for purposes of determining reasonable cost

This section would define "reasonable cost," under the medicare law, for purpose of paying for covered services furnished by a provider of service, to include depreciation allowances on capital expenditures. A provider would be eligible for such allowances only if he set such payments aside and used them only for proper capital expenditures. The Secretary would be authorized to utilize the services of appropriate State planning agencies to determine under an overall plan, developed by that agency for meeting the health-facility needs of the people in the State, whether a capital expenditure was proper. If a determination was made that funds (whether they were payments for depreciation or otherwise obtained) were used improperly the Secretary could terminate the agreement with the provider of service or withhold certain future payments to the provider of service that might be due under the medicare law.

Section 130. Outpatient hospital and diagnostic specialty benefits for the aged and disabled

This would establish a special part under the medicare program which would provide for the coverage of, and reimbursement for, specialty services furnished to hospital inpatients and services rendered to hospital outpatients. All persons entitled to inpatient hospital services under part A of the program would be eligible for specialty

services provided to hospital inpatients. Eligibility for hospital outpatient services (both outpatient diagnostic services and outpatient therapeutic services) would be restricted to persons enrolled under part B of the program. Specialty services would include diagnostic X-ray services and diagnostic laboratory services furnished by a physician.

Section 131. Elimination of requirement of physician certification in the case of inpatient hospital services at time individual becomes an inpatient

This section would delete the present requirement in the medicare program under which a physician must certify, at the time an individual enters the hospital, that the hospital services are needed on an inpatient basis for such individual's medical treatment.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

Section 150. Eligibility of certain children for monthly benefits

This section would provide for the payment of child's benefits, based on the earnings record of a worker who was not the child's parent, to a child who was living with and supported by the worker for at least 1 year before the worker died or at least 5 years before the worker became disabled or retired.

Section 151. Eligibility of an adopted child for monthly benefits

This section would provide an alternative to the present provision under which a child may be considered the adopted child of a deceased worker if the child is adopted by the worker's widow within 2 years of the worker's death. Under this alternative the child would qualify as the worker's child if he was living in the worker's household when the worker died and proceedings for the adoption had begun before the worker died, regardless of whether the adoption was completed within 2 years.

Section 152. Parent's insurance benefits

This section would provide for the payment of parent's insurance benefits to the parents of retired and disabled workers and provide that parent's insurance benefits shall not be paid if they would otherwise (because of the maximum provision in the law) reduce the benefits to the remaining members of the wage earner's family (wife, child, or widow). The benefits for the dependent parents of living workers would be equal to 50 percent of the worker's benefit and would be reduced if taken before age 65.

Section 153. Underpayments

Under this section claims for underpayments of cash benefits would be paid according to the following order of priority: (1) to the surviving spouse who was living with the underpaid beneficiary; (2) to the surviving spouse who was entitled to benefits on the same earnings record as the underpaid beneficiary; (3) to his child; (4) to the legal representative of the estate; and (5) to a relative whom the Secretary determines to be the proper person to accept payment on behalf of the underpaid beneficiary's estate. Also, the section would provide for payment of supplementary medical insurance benefits in cases where the beneficiary dies before reimbursement under the program is

made. This would, in general, follow the priority order for underpayments for cash benefits except that those who paid the medical bill would be given first priority.

Section 154. Simplification of computation of primary insurance amount and quarter of coverage in the case of 1937-51 wages

This section would simplify the present computation process by permitting the Secretary to apply certain presumptions to an individual's total wages prior to 1951. On the basis of these presumptions there would be a maximum utilization of electronic data processing, thus permitting a substantial savings in costs in the administration of the program.

Section 155. Definition of widow, widower, and stepchild

Under present law the relationship of widow, widower, and stepchild depends in some cases on the existence of a marriage of 1 year. This provision would introduce some flexibility into this requirement so that the relationship would be deemed to have been established if death of one of the parties occurred just less than 1 year of the marriage.

Section 156. Extension of time for filing reports of earnings

Under this section the Secretary could grant a reasonable extension of time (but not more than 3 months) for making the formal report of earnings required of beneficiaries whose earnings exceed the amount requiring a deduction from benefits (i.e., \$1,680 per year). The present law makes no allowance for any extension of time.

Section 157. Penalties for failure to file timely reports

This section would introduce some flexibility in the imposition of penalties against individuals who fail to file a timely report of an event which causes a deduction in benefits.

Section 158. Limitation in payment retroactive benefits in certain cases

Under present law the Treasury Department is authorized to withhold checks for delivery to a foreign country if that Department determines there is no reasonable assurance that the payee will receive the check. Under this provision, when the restriction is lifted the retroactive payments due for the period during which the restriction was in effect would be limited to not more than 12 months' benefits where the beneficiary had in the meantime died.

Section 159. Statute of limitations for self-employment income

This would permit the Secretary to credit the self-employment income of an individual to his account, even though the individual filed his tax report after the statute of limitation had run, where the Internal Revenue Service had assessed the tax against the individual. Under present law even though there is an assessment and payment of the tax after the statute of limitation has run, the Secretary has no authority to credit the individual with such income for social security benefits.

Section 160. Enrollment under medicare based on an alleged date of attainment of age 65

Where an individual failed to enroll under the medicare program because he was mistaken as to his correct date of birth, the Secretary

would be authorized by this section to enroll the individual on the basis of the documentary evidence he presented when he initially sought to enroll.

Section 161. Services of interns and residents as inpatient hospital services

Under the medicare law, services of an intern or resident are covered as inpatient hospital services (pt. A of the program) when they are rendered under an approved teaching program. Certain physicians have a limited license and are authorized to practice as physicians only in a hospital. Present law covers these services under part B of the program. This section would cover the services of these physicians under part A of the program in the same way as the services of interns and residents are covered.

Section 162. Payment for the purchase of durable medical equipment

This would permit the payment under part B of the medicare program for the purchase of durable medical equipment. Present law permits such payment only with respect to rentals of such equipment.

Section 163. Furnishing consultative service to laboratories

This would permit the Secretary to reimburse a State agency which furnishes consultative service to independent laboratories in the same way as he is authorized to reimburse such an agency when it furnishes such services to other institutions or agencies.

Section 164. Limitation on reduction of 90 days of inpatient hospital services

The present limitation which reduces the number of compensable days of inpatient hospital services where the individual is an inpatient in a psychiatric hospital or in a tuberculosis hospital when he becomes eligible for medicare benefits would be deleted. Under present law, days spent in such an institution immediately before becoming entitled to medicare benefits are deducted from the days of inpatient hospital services available to the individual. This deduction would no longer apply and once the individual becomes eligible for medicare benefits he would be entitled to the 90 days of inpatient hospital services provided for by the law.

Section 165. Medicare benefits to individuals who die in month of attainment of the age 65

Under the medicare law, benefits are paid for services furnished in the month in which the individual attains age 65. If, however, he should die before the day on which he attains that age no benefits are payable. This section would correct that inequity and permit the Secretary to pay the bill for any service furnished during that month even though death occurred before such day.

Section 166. Report of board of trustees to Congress

This section would extend the period for furnishing the report of the board of trustees to the Congress to the first of April from the first of March.

Section 167. Redesignation of old-age insurance benefits

This section would amend title II of the Social Security Act to substitute "retirement" for "old-age" wherever it is used in that title.

TITLE II—PUBLIC WELFARE AMENDMENTS

PART I—PUBLIC ASSISTANCE AMENDMENTS

Section 201. Earnings exemptions of public assistance recipients

This section would make existing earnings exemptions for the aged and the permanently and totally disabled, which are permissive with States at the present time, mandatory on July 1, 1969. (Earnings exemptions for the blind are already mandatory.) It would amend the existing exemption under the aid to families with dependent children program to permit an exemption of \$50 monthly earnings for parents and for children over 18 (subject to \$150 per month family maximum) effective July 1, 1967. The entire exemption would be mandatory July 1, 1969.

Section 202. Requirement for meeting full need

This section would require, effective July 1, 1969, that States shall meet the full need of eligible individuals as determined under the State's standards (which shall be no lower than those in effect in January 1967). It further provides that standards shall be reviewed annually and to the extent required by the Secretary updated to take account of cost of living increases. It is applicable to the programs of old-age assistance, aid to families with dependent children, aid to the blind, aid to the permanently and totally disabled, and the combined adult program under title XVI.

Section 203. Income in determining eligibility

This would require that, effective July 1, 1969, a State's standards with respect to income used in determining eligibility for cash assistance payments shall be no less than two-thirds of those used for medical assistance. This is applicable to all of the titles under which money payments are made.

Section 204. Federal assistance in meeting the costs of community work and training

This section would modify the plan requirements for aid to families with dependent children, would authorize the Secretary of Labor to provide work and training programs for individuals over the age of 16 who are receiving aid to families with dependent children, would provide for programs to be operated by the States if the Secretary of Labor did not operate a program and found it impractical to do so throughout a State, would provide project grants for persons in need but not meeting other State requirements for aid to families with dependent children, would provide for Federal participation in the cost of supervision, training, and materials under State programs, and would provide for the Department of Health, Education, and Welfare to transfer funds from its public assistance appropriation to the Secretary of Labor to meet the costs of authorized programs operated by him or his delegate.

Plans for aid to families with dependent children would have to include provisions for referral for all appropriate individuals who have attained age 16 to programs existing in the areas in which such individuals live.

A training incentive of not more than \$20 per week, paid by the Secretary of Labor, would be disregarded in determining the amount of assistance payable to a family.

Section 205. Federal share of public assistance expenditures

In the case of individuals who are currently certified by a physician to require skilled nursing home care unless appropriate services are provided in other institutions or in their own homes, States would be given the option to receive Federal participation in the full cost of such institutional care or services at the same rate as if they were provided under title XIX. This would make it possible to eliminate use of skilled nursing home care in situations where other services would suffice.

Section 206. Additional Federal payments to meet the non-Federal share of cash expenditures

The Secretary would be authorized to make grants totaling not more than \$60 million each year, for the fiscal years ending June 30, 1970, and June 30, 1971, to assist States in meeting the costs of other requirements imposed by these amendments. In making such payments, the Secretary would, among other factors, consider the fiscal ability of the State, its fiscal effort for welfare and related programs, the effect of increases in social security benefits, and the amount of State and local funds required in order to comply with the new provisions.

Section 207. Temporary assistance for migratory workers

The Secretary would be authorized to make projects grants in the amount appropriated by Congress for temporary assistance to individuals who are migratory workers and to members of their families. Such assistance could not be given for a period in excess of 60 days and would be in an amount consistent with what the individuals would receive if they were eligible under a public assistance plan in the State in which they are living.

Section 208. Amendments making permanent certain provisions relating to public assistance

The authorization to make protective payments under the aid to families with dependent children program would be made permanent. Authorization to provide temporary assistance to U.S. citizens returned from other countries would be made permanent. The authorization to make payments of aid to families with dependent children in cases where the parent is unemployed would be made permanent.

PART 2—MEDICAL ASSISTANCE AMENDMENTS

Section 220. Limitation on Federal participation in medical assistance

Federal participation in medical assistance payments would not be available, after December 31, 1967, in payments of medical assistance to individuals and families whose incomes exceed by more than 50 percent the highest income standards used by the State in determining eligibility under the cash assistance program.

Section 221. Determining maintenance of State effort

Several new alternatives would be provided to States. The current expenditure could be measured on the basis of a full fiscal year ending instead of a calendar quarter. Maintenance of effort could be determined on the basis of money payments alone instead of money payments and medical care as at present. Expenditures for child-welfare

services could be included in the determination either in conjunction with money payments and medical assistance or with money payments alone.

Section 222. Coordination of title XIX and supplementary medical insurance program

States could enter into agreements to "buy in" for individuals eligible for supplementary medical insurance benefits under the medicare program at any time prior to January 1, 1970. Such agreements could include medically needed persons as well as cash assistance recipients. Benefits under the program could be payable for the second month following the first month in which the individual is determined to be eligible. Amounts which would be paid under the program for enrolled individuals would not be subject to Federal matching. Provision is made as under existing law for continuation of coverage under the program for persons no longer eligible under the agreements. If the State did not "buy in" for an individual eligible for medical assistance there would be no Federal matching for expenditures for services that would have been covered under the supplementary medical insurance program under the medicare program had the individual been enrolled in such program.

Section 223. Modification of comparability provision

Payment by a State of the monthly premiums for supplementary medical insurance benefits would be made an exception to the requirements of comparability under title XIX and would not require the making available of comparable services to other recipients.

Section 224. Extent of Federal financial participation in certain administrative expenses

Federal participation in the compensation and training of skilled professional medical personnel and supporting staff engaged in the administration of a State plan under title XIX would be at a 75-percent rate without regard to whether such personnel are employees of the single State agency responsible for the administration of title XIX or of some other public agency participating in the administration of the title XIX plan.

Section 225. Advisory council

An advisory council of 21 members to advise the Secretary on matters of general policy and on the administration of medical assistance would be created. Such members, who would hold office for a term of 4 years on a rotating basis, would include representatives of groups concerned with health and consumers of health services. A majority of the membership of the council would consist of representatives of consumers.

Section 226. Free choice by individual eligible for medical assistance

An individual eligible for medical assistance would be free to choose any institution, agency, or person (including a prepayment plan) qualified to perform the services required and who undertakes to provide such services to him.

PART 3—CHILD-WELFARE SERVICES AMENDMENTS

Section 235. Federal share of the compensation and training of personnel

Federal participation at the rate of 75 percent would be available in the cost of child-welfare services personnel and training to the extent that the non-Federal portion of such cost exceeds the amount expended from non-Federal funds for such purposes in the fiscal year ending June 30, 1967. The provision would not result in any State receiving a general grant-in-aid allotment lower than it would have received under existing law.

Section 236. Authorization for appropriations

The existing authorization ceilings for fiscal years ending after June 30, 1968, would be removed so that the authorization for subsequent years would be for such sums as Congress may determine.

Section 237. Projects for experimental and special types of child-welfare services

Section 527 of the Social Security Act authorizing research, demonstration, and training projects would be expanded to authorize projects for the demonstration and the utilization of research. Its objective is to encourage experimental and special types of child-welfare services. Authority for contracts and jointly financed cooperative arrangements would be included in the section.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

Section 245. Permanent authority to support demonstration projects

The existing authorization of \$2 million to support State agency projects of a pilot demonstration or experimental character would be increased to \$10 million for the fiscal year ending June 30, 1968 and \$25 million for each fiscal year thereafter.

Section 246. Permitting partial payments to States

Authorization for the Secretary to withhold payments in cases where a State plan is out of conformity for only those parts of the plan that are affected would be extended to titles I, IV, X, and XIV. Such authorization now exists under titles XVI and XIX.

Section 247. Contracts for cooperative research or demonstration projects

Section 1110 authorizing grants and contracts for such projects would be amended in the case of contracts to eliminate the requirement that they be with nonprofit organizations.

TITLE III—IMPROVEMENT OF CHILD HEALTH

Section 301. Early case finding and treatment of handicapping conditions of children

This would increase authorization for crippled children's services (pt. 2 of title V of Social Security Act) as follows:

	Existing	Proposed
Fiscal year 1968.....	\$55,000,000	\$65,000,000.
Fiscal year 1969.....	55,000,000	Such sums as necessary.
Fiscal year 1970 et seq.....	60,000,000	Do.

It would require, effective July 1, 1967, under crippled children's services program, provision for early identification (through periodic screening and diagnosis) of need for care and services, and provision of care and treatment of defects and chronic conditions. It would also require, effective July 1, 1969, under medical assistance (title XIX of Social Security Act), early and periodic screening, and such treatment and care for defects and chronic conditions of children as is prescribed in regulations, and arrangements with agencies, institutions, and organizations receiving grants under part 1, 2, or 4 of title V of the Social Security Act for utilizing (and paying) them for these services. Also these agencies, institutions, and organizations would be required to cooperate in providing these services to the extent prescribed by the Secretary.

Section 302. Dental health of children

This section would authorize \$5 million for fiscal 1968, and necessary sums for next 4 years to pay up to 75 percent of cost of special projects of any public or nonprofit agency, institution, or organization for dental health of school and preschool children, particularly in areas with concentrations of low income. Projects would have to provide at least those services which are prescribed by regulations and would have to limit care to those who would not otherwise receive it. Contributions of goods and services could count toward the non-Federal share of the cost of projects.

Section 303. Special maternity and infant care projects

This would increase authorization as follows:

	Existing	Proposed
Fiscal year 1968.....	\$30,000,000	\$35,000,000.
Fiscal years 1969-72.....	0	Such sums as necessary.

It would make any public or private nonprofit group eligible for grants and would add to eligible projects those in which the hazard is to the health of the infant (whether or not the mother was involved). It would also add reduction of maternal mortality as one of the purposes of this program. The provision would permit the counting of contributions of goods and services toward the non-Federal share of the cost of projects.

Section 304. Revision of maternal and child-health authorization

This section would revise maternal and child health services authorization as follows:

	Existing	Proposed
Fiscal year 1969.....	\$55,000,000	Such sums as necessary.
Fiscal year 1970 et seq.....	60,000,000	Do.

It would provide for reduction of total of Federal payments to State for such services to the extent State and local funds for these services are reduced over fiscal 1967 State and local funds.

Section 305. Training

It would increase authorization as follows:

	Existing	Proposed
Fiscal year 1968.....	\$10,000,000	\$13,000,000.
Fiscal year 1969 et seq.....	17,000,000	Such sums as necessary.

It would expand the purpose from training of professional personnel for health and related care of crippled children to training of personnel for health care and related services for mothers and children.

Section 306. Research

This section would increase the maximum on authorization for research as follows:

	Existing	Proposed
Fiscal year 1968.....	\$8,000,000	\$18,000,000.
Fiscal year 1969 et seq.....	8,000,000	No statutory limit.

It would provide special emphasis on comprehensive care projects to study use of health personnel with varying levels of training and on studying methods of training personnel for such projects and permit funds to be used also for training personnel for use in such projects.

Section 307. Program evaluation

This section would reserve up to one-half of 1 percent of each appropriation for grants under title V of Social Security Act for program evaluation by the Secretary, directly or through grants or contracts.

Section 308. Conforming amendment

This specifically permits counting of contributions of goods and services toward non-Federal share of cost of comprehensive health care projects for school and preschool children.

TITLE IV—GENERAL PROVISIONS

Section 401. Social work manpower and training

The Secretary would be authorized to make grants to public or non-profit private colleges and universities and to accredited graduate schools of social work or associations of such schools to meet part of the cost of development, expansion or improvement of graduate and undergraduate programs in the field of social work; \$5 million would be authorized for the fiscal year ending June 30, 1968 and such amounts as Congress may determine for each fiscal year thereafter.

Section 402. Meaning of Secretary

For purposes of these amendments the term "Secretary" refers to the Secretary of Health, Education, and Welfare.

TITLE V.—TAX TREATMENT OF THE AGED

Section 501. Repeal of retirement income credit

Section 37 of the Internal Revenue Code which provides for a retirement income credit would be repealed.

Section 502. Definition of adjusted gross and taxable income

This section would make various technical amendments to sections 62, 63, 170, and 213 of the Internal Revenue Code to properly integrate the special exemption provided by section 504 of the bill and the retirement income deduction provided by section 505 of the bill into various provisions of the code concerned with gross income and adjusted gross income.

Section 503. Inclusion of certain social security and railroad retirement benefits in income

This section would add a new section 82 to the Internal Revenue Code providing for the inclusion in gross income of all social security and railroad retirement benefits that are paid as retirement insurance benefits. It would make it clear that special rules for employees death benefits provided by section 101 of the Internal Revenue Code are inapplicable to the retirement benefits included in income pursuant to the new section 82.

Section 504. Special exemption for individuals aged 65 or more; repeal of additional exemption; increase in permissible gross income level of aged dependents

This section would repeal the extra \$600 exemption for persons aged 65 or over. Under existing law a person age 65 or over may not be claimed as a dependent of another taxpayer if the aged person's gross income exceeds \$600. This section would increase this limitation to \$1,200.

It would also add a new section 154 to the Internal Revenue Code providing the basic tax benefit applicable to all taxpayers age 65 or over. It would allow a special exemption of \$2,300 to single taxpayers age 65 or over and married couples with one spouse age 65 or over and a special exemption of \$4,000 to a married couple where both are age 65 or over. Pursuant to new section 154 these special exemptions are reduced dollar for dollar for income (including social security and railroad retirement benefits) received during the taxable year in excess of \$5,600 in the case of a single individual and \$11,200 in the case of a married couple. To reflect the retiree's contributions to social security and railroad retirement these special exemptions would in no case be reduced below an amount equal to one-third of the amount of such benefits included in income.

Section 505. Retirement income deduction

A new section 218 of the Internal Revenue Code would be added to provide a retirement income deduction for persons under age 65 who receive social security or railroad retirement benefits that are paid as retirement insurance benefits and for persons under age 65 receiving retirement benefits under a public retirement system. The deduction would be limited to the lesser of (1) the actual amount of such benefits or (2) \$1,600. In turn the \$1,600 limitation would be reduced dollar for dollar to the extent that income received exceeds

\$5,600 in the case of a single individual, or \$11,200 in the case of a married couple; but never below one-third of any social security or railroad retirement benefits included in income.

Section 506. Miscellaneous amendments

This section would make miscellaneous technical amendments to sections 4 and 144 of the Internal Revenue Code and would also amend section 12 of the Railroad Retirement Act of 1937 to eliminate the exemption of railroad retirement benefits from tax.

Section 507. Effective dates

The amendments made by this title of the bill would be applicable to taxable years beginning after December 31, 1967.

EXPLANATION OF PROVISIONS OF H.R. 5710 ¹

1. SUMMARY OF MAJOR PROPOSALS

The President has recommended improvements in the social security program that would result, in calendar year 1968, when all of the proposals will have gone into effect, in an overall 20-percent increase in benefit payments.

The increase, in terms of additional cash payments, would be the largest increase in benefit payments ever enacted; it would result in additional cash benefit payments of \$4.5 billion in calendar year 1968.²

The level of living of the 23 million people who are now getting social security benefits would be greatly improved, and 1.4 million aged people among them would be moved out of poverty. In addition, the protection of current workers and their families—about 86 million will work under social security in 1967—would be very significantly improved.

Following is a list of the major proposals that the President has recommended:

(1) A benefit increase amounting to at least 15 percent for all beneficiaries now on the rolls, with a minimum benefit of \$70.

This provision would result in additional payments of \$3.9 billion in the first 12 months of operation.

(2) A special minimum benefit of \$100 for workers with at least 25 years of coverage under social security; the special minimum would be equal to \$4 multiplied by the number of years of coverage up to 25.

About 100,000 people would benefit under this provision. About \$7 million in additional benefits would be paid in the first 12 months of operation.

(3) An increase from \$1,500 to \$1,680 in the amount of annual earnings a beneficiary under age 72 can have without having any benefits withheld, and an increase from \$125 to \$140 in the amount of monthly earnings a person can have and still get a benefit for the month. Under the proposal, as under present law, \$1 in benefits would be withheld for each \$2 of the first \$1,200 of earnings above the annual exempt amount, and \$1 in benefits would be withheld for each \$1 in earnings thereafter.

About 750,000 people would get additional benefits under the provision. An estimated \$185 million would be paid out in additional benefits in the first full year of operation.

(4) Monthly cash benefits for the disabled widow of an insured worker where the widow becomes disabled within 7 years of the worker's death or within 7 years after termination of her entitlement to benefits as a mother.

¹ This material has been prepared and furnished by the Department of Health, Education, and Welfare.
² The several proposals would go into effect at different dates. Therefore, the figures shown below for additional payments under each proposal in the first 12 months of operation do not add up to the total for calendar 1968. Attached is a table showing additional payments under each cash benefit proposal for calendar 1968.

About 70,000 widows would benefit immediately and about \$75 million in additional benefits would be paid out in the first 12 months of operation.

(5) Health insurance benefits for disabled beneficiaries—disabled workers, disabled adults getting benefits on the basis of disabilities that have continued since childhood, and disabled widows under age 65.

An estimated additional 1.5 million social security beneficiaries—1.2 million disabled workers, 200,000 people getting disabled child's benefits, 100,000 disabled widows under 65—would be eligible for health insurance benefits. Benefit payments under this proposal in the first year are expected to be \$225 million under the hospital insurance program and \$100 million under the medical insurance program. (Similar protection would be provided for qualified disabled railroad retirement annuitants.)

(6) Social security credit, through transfers of credit, for Federal employment of workers whose Federal service is subject to the civil service or the foreign service retirement system if benefits are not payable to the workers or their families under such system at the time they retire, become disabled or die.

This change would protect employees who leave Federal service or who die or become disabled during the first 5 years of service.

(7) A change in the present coverage requirements for agricultural workers which would provide coverage for the farmworker if he was paid at least \$50 (instead of the present requirement of \$150) in a year for farmwork by an employer or worked at least 10 days (instead of the present requirement of 20 days) in a year for that employer.

This proposal would improve the social security coverage of 500,000 agricultural workers, including migratory workers, who in many instances do not meet the coverage requirements in present law.

(8) A new part C would be created in title XVIII of the Social Security Act. Under this part all hospital outpatient services would be covered, subject to the \$50 annual deductible and 80 percent coinsurance offered under part B. Also, inpatient diagnostic X-ray and laboratory services provided by physicians would be covered under this part without being subject to any deductible. Only part B enrollees would be covered for the outpatient services; all part A participants would be covered for the physician's inpatient X-ray and laboratory services of part C.

(9) Provision would be made to require the funding of depreciation payments made under medicare; and reimbursement for reasonable costs under medicare would be coordinated with the health planning activities of the States.

(10) No physician certification of medical necessity would be required for short stays in general hospitals; thus unnecessary paperwork would be eliminated.

(11) Medicare payments would be made to Federal facilities to which medicare beneficiaries are admitted.

(12) Coverage of podiatrists' services under the supplementary medical insurance program where the services are of the type now covered if performed by a physician.

(13) An increase from \$35 to \$50 (from \$52.50 to \$75 for a couple) in the special payments that were provided under the 1965 amendments and the Tax Adjustment Act of 1966 for certain people age 72

and over who cannot meet the regular work requirements of the program.

The increase in these payments would amount to about \$240 million in additional benefit payments during the first 12 months of operation. Of this amount, \$215 million would be met from general revenues. (The old-age and survivors insurance trust fund pays for the cost of benefits only for those who have worked for more than half a year under the program.) About 1.2 million people would qualify for some payments or higher payments as a result of this proposal.

(14) A number of technical amendments that are designed to facilitate administration, close minor gaps in protection, and rectify minor anomalies in present law.

(15) An increase in the contribution and benefit base to \$10,800, to be reached in three steps—\$7,800 in 1968, \$9,000 in 1971, and \$10,800 in 1974.

(16) Increases in the contribution rates for the cash benefits part of the program. The change scheduled in the employer-employee rate for 1969 under present law (from 3.9 percent each to 4.4 percent each) would be raised by 0.1 percent, to 4.5 percent each. The change scheduled under present law for 1973 and thereafter (to 4.85 percent each) would be raised by 0.15 percent each, to 5.0 percent each.

For the self-employed, the increase scheduled under present law for 1969 (from the present 5.9 to 6.6 percent) would be raised by 0.2 percent and thus would come to 6.8 percent. This rate would remain in effect until 1973, at which time the increase to 7.0 percent scheduled under present law would go into effect.

At the present time, the social security program has a significantly favorable actuarial balance; that is, it is expected that over the long-range future the income to the program will considerably exceed the costs of the program. The benefit improvements recommended by the President will cost about $1\frac{1}{2}$ percent of covered payroll. It is possible to meet about half of the cost of the recommended benefit improvements from the present favorable balance. The remainder of the cost of the proposed changes would be met through the increase in the contribution rates for the cash benefits part of the program and in the maximum amount of annual earnings subject to the tax and used in computing benefits.

The rate increase averaged over the long run would be equivalent to one-fourth of 1 percent of payroll; the earnings base increase is equivalent to one-half of 1 percent of payroll. These two financing recommendations would yield income equal to three-fourths of 1 percent of payroll, which, when combined with the actuarial balance of the present system, would fully meet the cost of the recommendations.

Hospital insurance protection for the disabled could be made available without any increase in the hospital insurance contribution rate because of the additional income that would result from the increased contribution and benefit base. Supplementary medical insurance protection would also be made available on the same basis as it is for the aged—that is, on a voluntary basis—with the beneficiary paying a monthly premium of \$3 and the Federal Government paying a matching amount.

Monthly social security cash benefits and contributions under present law and under proposal

CONTRIBUTIONS

	For average monthly earnings of \$550 and below—									
	\$150		\$250		\$350		\$450		\$550	
	Present law	Proposal	Present law	Proposal	Present law	Proposal	Present law	Proposal	Present law	Proposal
1967-68.....	\$5.85	\$5.85	\$9.75	\$9.75	\$13.65	\$13.65	\$17.55	\$17.55	\$21.45	\$21.45
1969-72.....	6.60	7.75	11.00	11.25	15.40	15.75	19.80	20.25	24.20	24.75
1973 and after.....	7.28	7.50	12.13	12.50	16.98	17.50	21.83	22.50	26.68	27.50

BENEFITS

Worker age 65 or disabled worker.....	78.20	90.00	101.70	117.00	124.20	142.90	146.00	167.90	168.00	193.20
Couple age 65 or disabled worker and wife.....	117.30	135.00	152.60	175.50	186.30	214.40	219.00	251.90	252.00	283.20

Monthly social security cash benefits and contributions under present law and under proposal—For average monthly earnings of \$550 or above

CONTRIBUTIONS

	Present law	Proposal			
	\$550	\$550	\$650	\$750	\$900
1967.....	\$21.45	\$21.45	(1)	(2)	(3)
1968.....	21.45	21.45	\$25.35	(2)	(3)
1969-70.....	24.20	24.75	29.95	(2)	(3)
1971-72.....	24.20	24.75	29.95	\$33.75	(3)
1973.....	26.68	27.50	32.50	37.50	(3)
1974 and after.....	26.68	27.50	32.50	37.50	\$45.00

BENEFITS

Worker age 65 or disabled worker.....	168.00	193.20	221.00	248.00	288.00
Couple age 65 or disabled worker and wife.....	252.00	283.20	311.00	338.00	378.00

¹ No earnings above \$6,600 (\$550) counted for contributions or benefits.

² No earnings above \$7,800 (\$650) counted for contributions or benefits.

³ No earnings above \$9,000 (\$750) counted for contributions or benefits.

2. CASH BENEFIT PAYMENTS IN CALENDAR YEAR 1968 UNDER VARIOUS PROVISIONS INCLUDED IN THE ADMINISTRATION'S RECOMMENDATIONS

Provision	Payments [in millions]
15 percent general benefit increase, with a \$70 minimum benefit.....	\$4,001
Special minimum of \$100 for workers with at least 25 years of coverage.....	8
Liberalization of the retirement test—annual \$1,680 exempt amount and other changes.....	140
Cash benefits for disabled widows.....	71
Increase to \$50 (\$75 for a couple) in special payments to certain people age 72 and over.....	225
Benefits for children on the earnings records of retired, disabled, or deceased workers (other than their parents) who had supported them.....	11
Benefits for parents of retired or disabled workers.....	15
Total.....	4,471

3. A GENERAL BENEFIT INCREASE FOR CURRENT AND FUTURE BENEFICIARIES

Present law

Monthly benefits range from \$44 to \$142 for retired workers now on the rolls who began to draw benefits at age 65 or later. The maximum benefit ultimately payable under present law is \$168, on the basis of average monthly earnings of \$550. This amount is not payable to any person now on the rolls; the highest possible average monthly earnings for a retired beneficiary in 1967 is \$430, since he could have had creditable earnings of \$6,600 in only 1 year—1966—and earnings must be averaged over at least 5 years in retirement cases if a \$6,600 year is to be used.

Proposal

Benefits would be increased across the board by at least 15 percent, with a minimum benefit of \$70. The ultimate monthly benefit for a retired worker alone would be increased from \$168 to \$288. The wife's benefit would be 50 percent of the worker's benefit up to \$90.

Effect on current beneficiaries

Monthly benefits would range from \$70 to \$163.30 for retired workers now on the rolls who began to draw benefits at age 65 or later. (When all of the proposals have gone into effect, in 1968, benefit expenditures will have increased by 20 percent.)

Under the proposal, a worker getting a benefit equal to the average monthly social security benefit now paid to all retired workers—\$84 a month—would get a benefit of \$96.60, an increase of \$12.60. A couple getting a benefit equal to the average benefit now paid to all aged couples—\$142 a month—would get a benefit of \$163.30, an increase of \$21.30.

The \$90 limitation on the wife's benefit would not apply to anyone now on the rolls. In fact, no one can get a wife's benefit as high as \$90 under present law, either now or in the future.

The increase would be effective with benefits for June 1967. About \$3.9 billion will be paid out in additional benefits in the first 12 months of operation.

Effect on current workers (future beneficiaries)

Current workers will of course pay increased contributions under the President's recommendations. In return they will get substantially improved protection.

A worker aged 50 in 1967 with annual earnings of \$6,600, for example, would get a monthly retirement benefit at age 65 of \$177.10 under the President's proposals, an increase of \$23.10 a month over the amount he would get under present law. If he is married, he and his wife would get monthly benefits at age 65 of \$265.70—\$34.70 a month more than would be payable under present law. If he died in 1975, his widow and child would receive a benefit of \$257.20—\$33.60 more than is provided now. And his widow at age 62 would get a monthly benefit of \$141.50—\$18.50 a month more than under present law. On the other hand, his monthly social security contributions would be \$24.75—55 cents more than under present law—in the years 1969 through 1972, and \$27.50—82 cents more than under present law—in 1973 and thereafter.

To take another example: A worker aged 35 or less in 1967 with annual earnings of \$4,800 would get a retirement benefit at age 65—

or, if he becomes disabled, a disability benefit—of \$156.30 under the proposal, as compared with \$135.90 under present law. If he were married, he and his wife would get benefits of \$234.50, as compared with \$203.90 under present law. If the worker died in, say, 1975, at age 43, and left a widow and young child, his survivors would get benefits totaling \$234.60 a month, as compared with benefits of \$204 under present law. He would ultimately pay 60 cents more a month in social security contributions than he would under present law.

Both of these are examples of people earning at or below the present contribution and benefit base—the maximum amount of earnings taxable and creditable toward benefits under the program. These people will get an increase of 15 percent over present law. Workers whose earnings are above the present base will get a still larger benefit increase. And, of course, they will pay more in contributions.

For example, a worker aged 35 in 1967 with annual earnings of \$7,800 would get a monthly retirement benefit at age 65 of \$206, an increase of \$44 a month over the amount he would get under present law. If this worker died in 1975, his widow and child would receive a benefit of \$281.40—\$50.40 more than is provided now. And his widow at age 62 would get a monthly benefit of \$154.70—\$27.60 a month more than under present law. On the other hand, the maximum monthly social security contributions would be \$32.50—\$5.82 a month more than under present law.

A worker age 50 in 1967 with annual earnings of \$10,800 would get a retirement benefit at age 65 of \$215 under the proposal, as compared with \$154 under present law. If he were married, he and his wife would get benefits of \$305, as compared with \$231 under present law. If the worker died in 1975 and left a widow age 62 or older, she would get a benefit of \$154.70 a month, as compared with a benefit of \$123 under present law. He would pay monthly additional social security contributions of \$3.90 in 1968, \$5.05 in 1969 and 1970, \$9.55 in 1971 and 1972, \$10.82 in 1973 and \$18.32 in 1974 and thereafter.

4. SPECIAL MINIMUM BENEFIT

Present law

No provision for a special minimum for long-service workers.

Proposal

Under the President's proposals the minimum social security benefit applicable to everyone, now \$44, would be increased to \$70. In addition, a special minimum benefit will be payable to people who have worked for many years in jobs covered by social security. The special minimum would be equal to \$4 multiplied by the number of years of coverage up to 25, so that it would be \$100 for a person with 25 or more years of coverage.

Background

The special minimum would recognize the problem of those who have worked under the program for many years at very low wages. At the same time, the proposal would not require paying as much as \$100 in benefits to people who were attached to covered employment only occasionally or for short periods and who were not dependent for a living on their earnings in such employment.

Effect of the proposal

Every insured worker retiring at or after age 65 would be paid at least \$70, regardless of how long he worked under the program. But anyone with 18 or more years of coverage would get a benefit larger than the regular \$70 minimum. A person with 18 years of coverage, for example, would get at least \$72; a person with 20 years of coverage, \$80; one with 25 or more years of coverage, \$100. (In any case where the benefit figured under the regular provisions of the law is higher, the higher amount would, of course, be paid.)

Some 100,000 people would get an additional \$7 million in benefits during the first 12 months of operation under this provision.

5. LIBERALIZATION OF THE RETIREMENT TEST

Present law

Social security benefits are payable in full if a person's earnings do not exceed \$1,500 in a year. If earnings exceed \$1,500, \$1 in annual benefits is withheld for each \$2 of earnings between \$1,500 and \$2,700 and for each \$1 of earnings over \$2,700. Regardless of a person's annual earnings, benefits are payable in full for any month in which he neither earns more than \$125 in wages nor renders substantial services as a self-employed person.

Proposal

The \$1,500 exempt amount would be raised to \$1,680, the monthly earnings limit would be raised to \$140, and the top of the \$1-for-\$2 range would be raised to \$2,880.

Comparison of present law and proposal

	Present law	Proposal
Annual exempt amount.....	\$1,500.....	\$1,680.
Monthly earnings limit.....	\$125.....	\$140.
\$1-for-\$2 adjustment.....	\$1,500 to \$2,700.....	\$1,680 to \$2,880.
\$1-for-\$1 adjustment.....	Above \$2,700.....	Above \$2,880.

Background

A basic purpose of the social security program is to help prevent dependency by providing cash benefits to a worker and his family when their usual income from work is cut off or reduced because of the worker's disability, retirement, or death. The idea is that since most families are largely dependent on earnings from work, payments that partially replace lost earnings are needed to prevent insecurity and dependency. The retirement test is the device used to determine whether a loss of earnings has occurred. When earnings are not substantially reduced, the worker and his family presumably can get along on those earnings as they did before.

If there were no retirement test in the law, the cost of the program would be increased by 0.70 percent of taxable payroll—\$2 billion a year now and more in future years. Most of this \$2 billion would go to people who are continuing to work regularly after 65 just as they did at, say, 50 or 55.

A test of retirement has been included in the law ever since monthly benefits first became payable in 1940; it has been modified several times over the years, but, generally speaking, it has always operated

to limit the amount of benefits that a person who works full time at a regular job can get.

Effect of the proposal

About 750,000 people would benefit under the provision. An estimated \$185 million would be paid out in additional benefits in the first full year of operations.

6. BENEFITS FOR DISABLED WIDOWS

Present law

A widow under 60 is without social security protection unless she has young children in her care or unless she has sufficient credit because of her own work to qualify for disability benefits.

Proposal

A severely disabled widow under age 62 would be eligible for unreduced cash benefits if her disability began before her husband's death or before her entitlement to benefits as a mother ended, or within 7 years after either event. This period of 7 years would afford the widow a reasonable opportunity to work long enough to earn sufficient social security coverage to qualify for disability benefits on her own earnings; under the law 5 years are required as a minimum.

Background

Under present law, at age 62 (or age 60 if she chooses to receive a reduced benefit) the widow may be entitled to widow's benefits. The need for benefit protection is at least as great for the younger widow—aged 55, for example—who cannot work and support herself because she is disabled as it is for the able-bodied 62-year-old widow. The proposal would provide benefits for disabled widows under age 62.

The definition of disability in present law—inability to engage in substantial gainful activity because of an impairment that is expected to last at least 12 months—will be applied to determine whether the widow qualifies for benefits on the basis of disability. In addition, other provisions—such as a waiting period before benefits may begin—that are in present law for disabled workers would be extended to disabled widows.

Effect of the proposal

About 70,000 totally disabled widows under age 62 would immediately become eligible for cash benefits. About \$75 million in additional benefits would be paid out during the first 12 months of operation under this proposal. These 70,000 disabled widows under age 62, as well as those aged 62–65 and disabled (who are already eligible for cash benefits), will also have protection against health care costs under the provision extending medicare to disabled beneficiaries (see attached sheet on "Extension of Health Insurance Protection to Disabled Beneficiaries"). (Widows aged 65, of course, like other beneficiaries 65 and over, are already covered for health insurance protection.) Under this proposal, insurance protection—cash benefit and medicare protection in the combined events of the disability of a woman and the death of her husband—would be extended to millions of women under age 62 who do not have disability insurance protection on the basis of their own earnings.

7. EXTENSION OF HEALTH INSURANCE PROTECTION TO DISABLED BENEFICIARIES

Present law

Present law makes health insurance protection under social security (medicare) available only to persons aged 65 and over.

Proposal

Under the proposal, medicare protection—both hospital insurance and medical insurance—would be provided beginning January 1, 1968, for people who are under 65 but getting social security benefits because they are severely disabled and for widows between the ages of 62 and 65 who are disabled but who are getting benefits as aged widows rather than as disabled widows. Similar protection would be provided for disabled railroad retirement beneficiaries.

Financing

Hospital insurance protection for the disabled would be financed by social security contributions, as it is for the aged. This protection could be made available without any increase in the hospital insurance contribution rate because of the additional income that would result from the increased contribution and benefit base. Supplementary medical insurance protection would also be made available on the same basis as it is for the aged—that is, on a voluntary basis, with the beneficiary paying a monthly premium of \$3 and the Federal Government paying a matching amount.

Background

When a worker becomes severely disabled, just as when a worker becomes old, he suffers a sharp drop in income, accompanied by an increase in the cost of health care. According to a survey conducted by the Social Security Administration in 1960, about 1 out of 5 disability beneficiaries under social security received care in short-stay hospitals in the survey year. Excluding hospitalization in long-term institutions, half of those hospitalized were in the hospital for 3 weeks or more. Data for the aged showed one out of six hospitalized in a year and an average stay of 15 days. In addition, totally disabled people, as do the aged, have difficulty obtaining adequate private health insurance.

Effect of the proposal

Protection would be extended to approximately 1.5 million people—including 1.2 million disabled workers, 200,000 adults getting childhood disability benefits, and 100,000 widows under age 65 who are disabled. (See attached sheet, "Benefits for Disabled Widows.") Benefit payments under this proposal in the first year after enactment are expected to be \$225 million under the hospital insurance program and \$100 million under the medical insurance program.

8. SOCIAL SECURITY CREDIT FOR FEDERAL EMPLOYMENT

Present law

Employment subject to the staff retirement systems for Federal civilian employees is excluded from social security coverage. Since a staff retirement system places primary emphasis on adequate retirement benefits for long-service employees, the exclusion of Federal

employees from social security coverage leaves major gaps in their protection. During the first 5 years of Federal employment, a worker has no survivorship or disability protection under the civil service retirement system. If he leaves after 5 or more years of Federal employment he ceases to have survivorship or disability protection based on his years of Federal service. Of the many workers who leave Federal employment before retirement, only a small minority will receive a retirement benefit based on their Federal service. Many workers with Federal employment are without protection under any system at various times. For most of those Federal workers who retain social security from prior employment or gain it by future employment the level of protection is impaired by the lack of social security credit for the time spent in Federal service.

Proposal

It is proposed to provide social security credit, through transfers of credit, for the Federal employment of workers whose Federal service is subject to the civil service or foreign service retirement system if benefits are not payable to the workers or their families under the staff system at the time they retire, become disabled, or die. (Under a related proposal, provisions would be added to the civil service and foreign service retirement systems to guarantee that workers (and survivors) who qualify under these systems will get benefits—or if also eligible for social security benefits, under the retirement system and social security together—that are at least at the level that would have been payable if their Federal employment had been covered under social security). The cost of the social security benefits provided under the transfer-of-credit plan would be met in part by the Government, as employer, and in part by those employees whose credits would be transferred to social security—amounts equal to social security employee contributions would be withheld from the refunds of their civil service contributions after they leave Federal employment.

Background

Federal personnel in the Federal uniformed services have been covered under social security. Civilian employees of the Federal Government are the only large group that are still excluded from coverage by law. There is considerable mobility of employees between the Federal service and employment covered by social security. In the course of a year 350,000 may enter Federal service and another 350,000 may leave. A study of separations from the civil service retirement system showed that less than 8 percent of employees who leave employment covered by the retirement system retain any protection as a result of their Federal service. Men workers constitute almost 60 percent of people who leave and retain no protection based on their Federal service.

Effect of the proposal

Over the years, millions of people—workers and their dependents—have already incurred loss or impairment of protection because the workers have shifted between Federal employment and employment covered by social security. The proposed transfer of credits from Federal service to social security would prevent these serious gaps in protection from continuing to arise in the future. Adoption of this

proposal, together with the proposed guaranteed level of civil service benefits related to the social security level, would assure that all Federal workers—not just some of them—would have continuing basic protection, based on credit for all of their years of work, that would be comparable to that afforded virtually all other workers through direct social security coverage.

9. BROADER SOCIAL SECURITY COVERAGE OF FARM EMPLOYEES

Present law

The earnings of a hired farmworker are covered for social security purposes in regard to his work for a particular employer if he is paid \$150 or more in cash wages by that employer during the year or is employed by him or 20 or more days in a year for cash pay on a time basis (per hour, day, week, or month).

Proposal

It is proposed to reduce the annual cash wage test for social security coverage from the present \$150 to \$50, to reduce the 20-day time test to 10 days, and to give a quarter of coverage, to a total of four in a year, for each \$50 (rather than \$100 as at present) of annual covered farm wages.

Background

There is a clear need to improve the social security protection of hired farmworkers. Many are excluded from coverage under present law for part or all of their farm wages, and for this reason may not qualify for social security benefits or may get benefits that are low because they do not reflect the worker's earnings from all of his employers.

Effect of the proposal

This change would increase the social security protection of over 500,000 farmworkers who would have all or a larger part of their farm earnings covered. Some of these workers now have all of their non-farm but none or only a part of their farm earnings covered. Others with only farm earnings meet the coverage test with one or more farm employers, but do not meet the test with all their employers in a year.

10. SOCIAL SECURITY CONTRIBUTIONS OF THE SELF-EMPLOYED

Present law

The social security contribution rates paid by the self-employed for the cash-benefits part of the social security program are set at roughly $1\frac{1}{2}$ times the employee rates. Under present law, the rates for the self-employed are scheduled to increase from 5.9 percent in 1967 and 1968 to 6.6 percent in 1969 through 1972, and then to an ultimate rate of 7 percent in 1973 and after. The rate the self-employed pay for hospital insurance is the same as the hospital insurance contribution rate for employees. This rate is scheduled to rise from 0.50 percent in 1967 through 1972 to an ultimate 0.80 percent in 1987 and after.

Proposal

The ultimate contribution rate paid by the self-employed for the OASDI part of the program would remain 7 percent in 1973 and after;

it would no longer be figured as $1\frac{1}{2}$ times the employee rate as under present law. There would, though, be an increase in the rate for the self-employed for the years 1969 through 1972 to 6.8 percent. (There are no changes in the social security contribution rates for hospital insurance.)

11. OUTPATIENT HOSPITAL AND DIAGNOSTIC SPECIALTY BENEFITS FOR THE AGED AND DISABLED

Present law

Under present law, outpatient hospital diagnostic services are covered under the hospital insurance provisions of title XVIII of the Social Security Act (pt. A) and paid for from the hospital insurance trust fund. Outpatient hospital therapeutic services are covered under the medical insurance provisions of that title (pt. B) and paid for from the supplementary medical insurance trust fund. The amount payable for outpatient hospital diagnostic services is 80 percent of their reasonable cost after a \$20 deductible for each diagnostic study. Payments toward the \$20 deductible count toward the \$50 annual part B deductible. The amount payable for other hospital outpatient services, which are covered under part B, is 80 percent of the reasonable cost of such services after the \$50 deductible has been met.

Under present law the medical or surgical services of physicians (except residents or interns under certain training programs) are excluded from coverage under part A of the medicare program. Such services, however, including those performed by hospital-based physicians, are covered under part B of the program.

Proposal

Amend title XVIII to establish a new part C which will include provisions for coverage of and reimbursement for inpatient diagnostic X-ray and inpatient laboratory services and all outpatient hospital services. All persons who are eligible for part A benefits will be covered for all the costs of inpatient diagnostic X-ray tests and diagnostic laboratory tests. Only persons enrolled under part B will be eligible for outpatient hospital services and these outpatient services will be the subject to the part B deductible and coinsurance.

The objective of this proposal is to eliminate certain administrative complexities that have arisen under present law.

Background

Hospitals have encountered difficulties in their recordkeeping and billing because of the need to distinguish between outpatient diagnostic services covered under the hospital insurance program and those outpatient services covered under the medical insurance program and the need to determine what part of the bill the patient must pay. Patients have experienced much confusion because of the special outpatient diagnostic deductible and fiscal intermediaries and carriers have experienced complications in charging the appropriate trust fund the proper amount.

A problem also arises under present law from the need for hospitals to establish and break out for purposes of medicare reimbursement the component of laboratory and X-ray services which represents hospital-based physicians' remuneration. The physician component

is covered under the medical insurance program while the rest of the laboratory and X-ray service is covered under hospital insurance. Present law requires a separation and allocation of value to the physician's service for purposes of collecting deductibles and coinsurance and determining the amount payable from the part B fund. In some cases the amount involved is quite small and the collection of the amount payable by the patient especially troublesome.

12. MEDICARE PAYMENTS AND MEDICAL FACILITY PLANNING

Present law

Under the present provisions of title XVIII, depreciation on buildings and equipment is an allowable cost under the principles of reimbursement for provider costs. Funding of depreciation is not required although an incentive for funding is provided by not treating investment income on funded depreciation as a reduction on allowable interest expense. Also, there is no specific restriction on payment of depreciation related to whether the depreciable items were constructed or purchased in conformance to any type of planning requirements. Similarly, there are no specific restrictions under title XIX with respect to funding depreciation or conforming to planning requirements.

Proposal

The proposal provides that depreciation of plant and equipment will be included in "reasonable cost" only if a provider of services furnished satisfactory assurance that it will (1) set aside and keep separate amounts paid under title XVIII for depreciation, and (2) not utilize the amounts for either capital or noncapital purposes except under conditions approved by State planning agencies. The proposal also provides that the Secretary would make agreements with the appropriate State agencies to utilize their services to determine whether capital expenditures are in accordance with such planning. If expenditures are made that are not in accordance, there would be authority to appropriately reduce reimbursement to the facility making them or to terminate the participation agreement with the facility. Similar provisions would be made under title XIX. The proposal would be effective with respect to payments for services provided after June 30, 1968.

Background

The medicare program has assumed responsibility for the payment of a large portion of hospital and other institutional costs on behalf of older people. It is in the interest of not only the contributors to and the beneficiaries of the program, but to the general public as well, that these payments be made in a manner that tends to encourage maximum efficiency in the provision and use of health facilities, equipment, and services. Unnecessary duplication and inefficient use of health care facilities and equipment is wasteful in terms of public moneys and scarce health personnel and is a significant factor in the accelerating costs of health care. The work of various State and local planning groups, private health cost prepayment organizations, and others has shown that there is real promise, through area-wide planning programs, for an improvement in the quality of health

care and at the same time improvement in the efficiency with which the services are provided. Moreover, there is widespread agreement among the purchasers of health care and those providing it that financial provision for the replacement, modernization, or expansion of health care facilities and services should be made on a basis consistent with overall community, State, and regional needs. The proposal would coordinate reimbursement under titles XVIII and XIX with the planning activities being carried on by public and private agencies.

13. ELIMINATION OF THE REQUIREMENT OF INITIAL PHYSICIAN CERTIFICATION

Present law

Under present law, payment under the health insurance program may be made for inpatient hospital services only if a physician certifies in each case that the services furnished were required to be given on an inpatient basis for an individual's medical treatment, or that an inpatient diagnostic study was medically required. In addition, when these services are furnished over a period of time, the law requires, as a further condition of payment, a physician recertification as to the continuing need for these services.

Proposal

It is proposed to eliminate the requirement that there be a physician's certification for each case admitted to a general hospital. The physician would still be required to provide certification in certain cases, however. Since special conditions are attached to payment for services furnished by psychiatric and tuberculoses hospitals, physician certification for inpatient admission to such institutions is important and meaningful and would be retained. Also retained would be the requirement for a physician's certification after inpatient hospital services have been furnished over a period of time as is now done through a recertification requirement. (The requirement for a physician's certification for outpatient hospital diagnostic services would also be eliminated under the proposal to transfer the coverage of such services to the new pt. C.)

Background

Many physicians are opposed to the concept of physician certification; some few refuse to prepare and sign the required statements. It is argued that the fact that a physician has a patient admitted to the hospital is sufficient evidence of the patient's need for hospital services and that this is fully understood within the medical, hospital, and private health insurance communities. The house of delegates of the American Medical Association has adopted a resolution urging the AMA to work for the repeal of the certification requirements.

Effect of the proposal

Elimination of the initial certification requirement for all general hospital admissions will avoid some unnecessary paperwork and has the potential for resulting in better emphasis on utilization review since what is removed is largely pro forma. The procedure that would be followed to avoid payment for unneeded care would include screening by the administering agencies to isolate those cases in

which the diagnosis and treatment raised questions about the medical necessity, and action would be taken to resolve these questions! These steps would be taken in addition to those of the hospital utilization review committees, which generally review admissions on a sample basis.

14. HEALTH INSURANCE PAYMENTS TO FEDERAL FACILITIES

Present law

Present law prohibits payment under the hospital insurance program or the supplementary medical insurance program to any Federal provider of services (except to a provider of services which serves the public generally as a community institution or agency and except for emergency services under the hospital insurance program).

Proposal

This proposal would remove the prohibition against payments to Federal providers of services. It is substantially the same as the proposal submitted by the administration to the Congress in 1966.

Background

Services rendered in State and local hospitals are now covered and it is reasonable that similar services rendered in Federal hospitals should also be covered. If Federal facilities were included under the medicare system, there would be some savings to the general taxpayer, since he would not have to pay through other taxes to meet hospital and doctor expenses of some individuals who are covered by the medicare system and receive care in Federal facilities.

Effect of the proposal

The proposal would lead to a decrease of about \$100 million in general revenue expenditures in the first full year.

15. COVERAGE OF PODIATRISTS' SERVICES UNDER THE MEDICAL INSURANCE PROGRAM

Present law

Under present law, payment may not be made under the medical insurance program for the services of podiatrists.

Proposal

The proposal would cover, under medicare, services rendered by a podiatrist where the service is of a type covered if performed by a physician. In line with the exclusion under present law of such services as routine physical checkups, fitting or changing eyeglasses, examinations for hearing aids, and immunizations, the proposal would exclude routine foot care, such as treatment of corns or calluses and the trimming of nails. This exclusion would apply to routine foot care whether provided by a medical doctor or a podiatrist.

Background

Doctors of podiatry or surgical chiropody are respected members of the health services team and often perform their services in cooperation with medical doctors. In addition, the aged often use the services of podiatrists rather than medical doctors for the care and treatment of foot diseases where either health practitioner may perform adequately.

16. INCREASE IN SPECIAL PAYMENTS TO CERTAIN PEOPLE AGE 72 AND OLDER

Present law

Under the 1965 amendments, special payments (\$35 a month for a worker or a widow; \$17.50 for a wife) were provided for certain people age 72 and over on the basis of less work than is needed to meet the regular work requirements. The cost of payments under this provision is met out of the OASI trust fund.

Under the Tax Adjustment Act of 1966, special payments of \$35 a month (\$52.50 for a couple) were provided for certain people age 72 and over who had no work or who had some work but not enough to meet the regular work requirements and did not qualify under the 1965 amendments. Payments under this provision are reduced by the amount of any pension, retirement benefit, or annuity that a person is receiving from any governmental system. In addition, the special payment is suspended for any month for which the beneficiary gets payments under a federally aided public assistance program. The cost of the payments under this provision to people who have never worked or who have earned credit for no more than one-half year's work under social security is met out of general revenues. The cost of the payments under this provision to people with credit for more than one-half year's work under social security is met by the old-age and survivors insurance trust fund.

Proposal

The special payments under both of the special provisions will be increased to \$50 (\$75 for a couple)—an increase of 43 percent.

Effect of the proposal

About 1.2 million people will qualify for some payments or higher payments as a result of this proposal; \$240 million in additional benefits would be paid out during fiscal year 1968; \$215 million of this amount will be met from general revenues.

17. MISCELLANEOUS AND TECHNICAL AMENDMENTS

The bill includes a number of technical amendments that are designed to facilitate administration of the program, to close relatively small gaps in the protection it provides, or to rectify certain minor anomalies in the present law. These amendments, with a short description of the purpose of each, are listed below:

(1) *Eligibility of certain children for monthly benefits.*—The bill would provide for the payment of child's benefits, based on the earnings record of a worker who was not the child's parent, to a child who was living with and supported by the worker for at least a year before the worker died or at least 5 years before the worker became disabled or retired. Under this provision about 15,000 people would be affected immediately and \$11 million would be paid out in calendar year 1968.

(2) *Eligibility of an adopted child for monthly benefits.*—The bill would provide an alternative to the present provision under which a child may be considered the adopted child of a deceased worker if the child is adopted by the worker's widow within 2 years of the worker's death. Under this alternative the child would qualify as the worker's child if he was living in the worker's household when the worker died and if proceedings for the adoption had begun before the worker died, regardless of whether the adoption was completed within 2 years.

(3) *Parent's insurance benefits.*—The bill would provide for the payment of benefits to the parents of retired and disabled workers. The benefits for the dependent parents of living workers would be residual and would be actuarially reduced if taken before age 65. Under this provision about 30,000 people would be affected immediately and about \$15 million would be paid out in the first full year.

The combined cost of the above provisions for paying benefits to children and the provision for parent's benefits is 0.01 percent of payroll.

(4) *Underpayments.*—Provides that claims for underpayments would be paid according to the following order of priority: (1) To the surviving spouse who was living with the underpaid beneficiary, (2) to the surviving spouse who was entitled to benefits on the same earnings record as the underpaid beneficiary, (3) to his child, (4) to the legal representative of the estate, and (5) to the relative who the Secretary determines to be the proper person to receive the payment on behalf of the underpaid beneficiary's estate. Under present law underpayments, with some exceptions, can be made only when there is a legal representative of the estate. Also provides for payment of supplementary medical insurance benefits in cases where the beneficiary dies before reimbursement under the program is made.

(5) *Simplification of computation of benefits based on 1937-50 wages.*—In order to facilitate administration, the bill would revise the benefit-computation provisions so that for benefits based on earnings in years prior to 1951 machine, rather than manual, procedures could be used.

(6) *Shrimpboat fishermen and truck loaders and unloaders.*—The bill would clarify that the workers on fishing boats are generally employees of the boatowners, lessees or operators and that the workers who load and unload trucks are generally employees of the truck-owner.

(7) *Definition of widow, widower, and stepchild.*—The bill would change the present 1-year duration of relationship requirement in the definition of widow, widower, and stepchild to enable certain additional survivors to qualify for benefits.

(8) *Extension of time for filing report of earnings.*—The bill would permit the Secretary to grant a beneficiary an extension of time (not to exceed 3 months) for making the report of earnings required under the retirement test.

(9) *Penalties for failure to file timely report.*—The bill would reduce the penalty for a beneficiary's first failure to file a timely report of earnings for purposes of the retirement test where the amount of benefits withheld on account of earnings is less than 1 month's benefits. It would also change the penalties for second and subsequent failures to file timely reports of certain events that are required to be reported so that they are similar to the present penalties for second and subsequent failures to file timely reports of earnings.

(10) *Limitation on payment of retroactive benefits in certain cases.*—The bill would provide that when benefit payments are resumed to people from whom the benefits have been withheld because they resided in a country in which conditions were such that they could not be assured of receiving the full value of the benefit, the accumulated monthly benefits payable on the account of a deceased beneficiary for months after the effective date of the amendment would not exceed the equivalent of 12 months' benefits.

(11) *Statute of limitations for self-employment income.*—The bill would modify the statute of limitations to permit a worker's earnings record to be revised at any time to give social security credit for any self-employment income on which the Internal Revenue Service has assessed social security taxes.

(12) *Increase in membership of the National Medical Review Committee.*—The bill would increase the membership of the National Medical Review Committee from nine to 16 members and the term of office from 3 to 4 years.

(13) *Enrollment under medicare based on an alleged date of attainment of age 65.*—The bill would permit certain persons who are found to have been mistaken about their age to use, for purposes of enrolling under supplementary medical insurance, a date of attainment of age 65 that is later than their actual attainment of age 65.

(14) *Services of interns and residents as inpatient hospital services.*—The bill would amend the definition of "inpatient hospital services" to include the services of certain medical school graduates taking part in prepractice programs.

(15) *Payment for purchase of durable medical equipment.*—The bill would provide explicitly for coverage under the supplementary medical insurance program of the purchase of durable medical equipment under arrangements whereby the equipment becomes the property of the patient after the purchase price has been paid in rent.

(16) *Furnishing consultative services to laboratories.*—The bill would authorize the Secretary to use the services of State agencies to provide consultative services to independent laboratories and to pay for the cost of such services.

(17) *Limitation on reduction of 90 days of inpatient hospital services.*—The bill would amend the provision in present law requiring that in the first spell of illness the 90 days of inpatient hospital services be reduced by any prior days of stay in a psychiatric or tuberculosis hospital so that the reduction will clearly apply only to days of inpatient psychiatric or tuberculosis hospital services.

(18) *Medicare benefits to individuals who die in the month of attainment of age 65.*—The bill would amend the law to make it clear that an individual is entitled to health insurance benefits on the first day of the month in which he would have attained age 65 if he is otherwise entitled but dies in the month of attainment and before the date of attainment.

(19) *Extend deadline for trustees' reports.*—The bill would provide that the trustees of the social security trust funds must submit their reports to Congress no later than April 1 of each year instead of March 1.

(20) *Redesignation of old-age insurance benefits.*—The bill would substitute the term "retirement" for the term "old-age" wherever it appears in the law.

18. INCREASE IN THE CONTRIBUTION AND BENEFIT BASE

Present law

The maximum amount of earnings taxable and creditable toward social security benefits—the contribution and benefit base—is now \$6,600.

Proposal

The ultimate base in the law would be increased to \$10,800, to be reached in three steps—\$7,800 in 1968, \$9,000 in 1971, and \$10,800 in 1974.

Background

An increase in the contribution and benefit base will strengthen the effectiveness of the program.

As earnings levels increase, a larger proportion of workers have earnings above the base, and a smaller proportion of workers get benefit protection related to their full earnings. The \$6,600 base, which now covers all the earnings of about 75 percent of covered workers, will cover all the earnings of only about 67 percent of covered workers in 1974. Under the proposed increases in the base, 87 percent of covered workers will have all their earnings covered in 1974. This would still be less than the situation contemplated when the program was enacted in 1935; the \$3,000 base provided in the original act would have covered the full earnings of 97 percent of all workers.

Increases in the contribution and benefit base result in savings in the cost of the program as a percentage of payroll. Even though higher benefits are provided on the basis of the additional earnings that are taxed and credited, the cost of providing these higher benefits is less than the additional income produced by raising the base when both the employer and employee contributions are taken into account.

Effect of the proposal

When the contribution and benefit base is increased, workers who earn above the former base will get very much larger benefits than they would if the base had not been increased. A man age 50 in 1968, for example, who earns \$7,800 a year until he is 65 will get a benefit of \$192.10 at age 65—24 percent higher than he would get if no change were made in present law. If he earns \$9,000 a year his benefit will be \$204—32 percent higher—and if he earns \$10,800 a year his benefit will be \$218—41 percent higher. A man age 30 in 1968 has 35 years to go before reaching age 65: If he earns \$7,800 a year he will get a benefit of \$218 at age 65—31 percent more than if no change were made in present law; if he earns \$9,000 a year his benefit will be \$241—44 percent higher; and if he earns \$10,800 a year his benefit will be \$271—62 percent higher.

Thus, the longer a person is able to work and earn at the higher levels that would count toward social security under the proposed increases in the contribution and benefit base, the greater his protection under social security will be. This is true not only with respect to retirement benefits but in disability and survivorship protection as well.

In survivor and disability cases benefits would reflect the higher earnings creditable under the new base fairly quickly. In cases where the worker was quite young when he died or became disabled, the maximum benefit payable following each increase in the base could be payable as early as the first or second year, respectively, after the particular increase becomes effective.

In general, the group of workers who enter the system at age 21 with earnings at or above the \$10,800 base, as well as all other workers, would get insurance protection under the program equal to or greater than the value of their contributions.

As a result of the proposed increases in the earnings base, the cost of the changes recommended for the hospital insurance program could be financed under the present schedule of hospital insurance contribution rates. In addition, the savings resulting from the higher base would finance a substantial part of the cost of the changes recommended in the old-age, survivors, and disability insurance program.

19. FINANCING THE PRESIDENT'S PROPOSALS

At the present time, the social security program has a significantly favorable actuarial balance; that is, it is expected that over the long-range future the income to the program will considerably exceed the costs of the program.

The benefit improvements recommended by the President will cost about 1½ percent of covered payroll. It is possible to meet about half of the cost of the recommended benefit improvements from this present favorable balance.

The remainder of the cost of the proposed changes would be met through a slight increase, in steps, in the social security contribution rates for the cash benefits part of the program and by increasing the maximum amount of annual earnings subject to the tax and used in computing benefits.

The cash benefit contribution rate of 3.9 percent in the present law would continue through 1968. The scheduled rate increase in 1969 to 4.4 percent would be increased to 4.5 percent. The ultimate rate of 4.85 percent scheduled for 1973 would be increased to 5 percent.

The earnings base on which contributions and benefits are computed would be increased from \$6,600 a year at present to \$7,800 in 1968, \$9,000 in 1971 and \$10,800 in 1974.

The rate increase averaged over a long time would be equivalent to one-fourth of 1 percent of payroll; the earnings base increase is equivalent to one-half of 1 percent of payroll. These two financing recommendations would yield income equal to three-fourths of 1 percent of payroll, which, when combined with the actuarial balance of the present system, would fully meet the cost of the recommendations.

Financing social security cash benefits—Percent of payroll

	Level cost of of benefits	Level equivalent of income	Balance
Present program.....	8.79	9.53	+0.74
Proposals:			
Contribution base.....	— .50		
Benefit increase.....	1.36		
Other improvements.....	.12		
Contribution rates.....		.25	
Proposed program.....	9.77	9.78	+ .01

Present and proposed OASDI contribution rates

Year	Employee and employer, each		Self-employed	
	Present law ¹	Proposed ²	Present law ¹	Proposed ²
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1967-68.....	3.9	3.9	5.9	5.9
1969-72.....	4.4	4.5	6.6	6.8
1973 and after.....	4.85	5.0	7.0	7.0

¹ \$6,600 earning base.

² \$7,800 earnings base effective 1968 through 1970; \$9,000 earnings base effective 1971 through 1973; and \$10,800 earnings base effective 1974 and thereafter.

20. ADEQUATE SUPPORT FOR NEEDEY CHILDREN

Background

A family of four with an income of \$3,100 or less is living in poverty, as defined by the Social Security Administration and the Office of Economic Opportunity. A family at this level or below is considered to be too poor to provide for its basic human needs in the United States today.

More than 3 million children in families dependent on public assistance live below the poverty level. In figuring public assistance payments, each of the 50 States makes its own definition of minimum need. Although a few States define need at or above the poverty level, no State pays as much as that amount.

Moreover, 33 States provide less support for needy children than the standards the States themselves have set as necessary to meet basic human needs. The record for these 33 States is shown in the table below, which shows actual support for needy children as a percentage of the State's own minimum standard:

<i>States</i>	<i>Percent</i>
Oregon, California, New Mexico, Idaho.....	90-99
Colorado, South Dakota, West Virginia, Ohio, Virginia, Wyoming, Washington.....	80-89
Kentucky, Michigan, Iowa, Utah.....	70-79
Georgia, Tennessee, Texas, Vermont, Louisiana, Delaware.....	60-69
Maine, Arkansas, Arizona, Missouri.....	50-59
Nevada, South Carolina, Indiana, Nebraska.....	40-49
Alaska, Alabama, Florida.....	30-39
Mississippi.....	20-29

In seven States—Alabama, Arkansas, Florida, Georgia, Mississippi, South Carolina, and West Virginia—a family consisting of a mother and three children receiving assistance must live on less than \$120 a month.

Low levels of financial aid make it difficult or impossible for dependent families to buy the basic necessities for their children: decent food, clean, warm housing, medical care, clothing. Low levels of aid tend to keep families and children dependent.

The proposal

The President proposes legislation to require the States to meet their own standards of what is needed to support a child by July 1969.

The Social Security Act would be amended to require States to meet minimum need as each State itself defines it (see table attached) in its AFDC program.

States would also be required to bring their standards of need up to date by July 1, 1969, and to update them annually thereafter. Even though about half the States updated their minimum standards this year, most States have not been doing so annually.

The amendment would also require States to maintain their standards of need at a level not less than two-thirds of the income level set for medical assistance eligibility. That is, if a family of four is eligible for medical assistance with an income up to \$3,800, for example, then the minimum income standard for AFDC payments could not be less than \$2,533.

*Aid to families with dependent children: Percent that highest monthly amount payable for basic needs for family of specified composition and living in rented quarters represents of total monthly cost standard for basic needs of such family, by State, January 1965*¹

State	Family consisting of mother (35), boy (14), girl (9), and girl (4), and living in rented quarters ²		Percent col. II is of col. I (III)
	Total monthly cost standard for basic needs (I)	Highest monthly amount payable for basic needs ³ (II)	
Alabama.....	\$177.00	\$67.26	38.0
Alaska.....	376.00	140.00	37.2
Arizona.....	232.00	134.00	57.8
Arkansas.....	124.00	71.00	57.3
California.....	229.40	215.00	93.7
Colorado.....	173.00	141.62	81.9
Connecticut.....	230.35 ³	230.35	100.0
Delaware.....	214.00	149.00	69.6
District of Columbia.....	166.00	166.00	100.0
Florida.....	201.00	78.00	38.8
Georgia.....	181.35	109.00	60.1
Hawaii.....	197.20	197.20	100.0
Idaho.....	209.10	201.10	96.2
Illinois.....	187.36	187.36	100.0
Indiana.....	223.87	110.00	49.1
Iowa.....	253.70	190.28	75.0
Kansas.....	185.09	185.09	100.0
Kentucky.....	193.00	136.64	70.8
Louisiana.....	164.75	108.00	65.6
Maine.....	222.00	124.00	55.9
Maryland.....	167.50	167.50	100.0
Massachusetts.....	221.20	221.20	100.0
Michigan.....	223.00	160.00	71.7
Minnesota.....	202.27	202.27	100.0
Mississippi.....	175.62	50.00	28.5
Missouri.....	188.95	110.00	58.2
Montana.....	216.75	216.75	100.0
Nebraska.....	261.50	130.00	49.7
Nevada.....	259.75	120.00	46.2
New Hampshire.....	183.00	183.00	100.0
New Jersey.....	245.80	245.80	100.0
New Mexico.....	195.50	185.72	95.0
New York.....	255.65	255.65	100.0
North Carolina.....	152.50	152.50	100.0
North Dakota.....	233.00	233.00	100.0
Ohio.....	165.00	142.50	86.4
Oklahoma.....	163.00	163.00	100.0
Oregon.....	198.75	185.24	93.2
Pennsylvania.....	163.40	163.40	100.0
Puerto Rico.....	82.26	27.15	33.0
Rhode Island.....	167.55	167.55	100.0
South Carolina.....	148.25	72.00	48.6
South Dakota.....	225.50	180.40	80.0
Tennessee.....	160.45	100.00	62.3
Texas.....	153.95	98.00	63.7
Utah.....	227.40	176.00	77.4
Vermont.....	213.65	140.00	65.5
Virgin Islands.....	104.00	104.00	100.0
Virginia.....	187.00	162.50	86.9
Washington.....	238.30	209.70	88.0
West Virginia.....	143.97	122.37	85.0
Wisconsin.....	225.75	225.75	100.0
Wyoming.....	229.80	200.00	87.0

¹ Includes data for 53 States; data not available for Guam.

² The specified type of family is assumed to need amounts for rent and utilities that are at least as large as the maximum (or other) amounts reported by the State for these items. The family is also assumed to have no income other than assistance.

³ For the specified type of family, represents the smallest of the following: (1) The amount of the State's usual legal or administrative maximum on money payments to recipients; (2) an amount resulting from the application of a percentage or flat reduction to the amount of determined need; or (3) the amount of the total cost standard for basic needs (for States with usual legal or administrative maximums above the total cost standard for basic needs and for States without such maximums).

EXCERPTS FROM THE MESSAGE ON OLDER AMERICANS DELIVERED BY
PRESIDENT JOHNSON JANUARY 23, 1967

(1) *"Despite these improvements in social security, many elderly Americans will continue to depend on public assistance payments for the essentials of life. Yet these welfare programs are far behind the times. While many States have recently improved their eligibility standards for medical assistance, their regular welfare standards are woefully inadequate."*

"In nine States, the average amounts paid for old-age assistance are as low as \$50 a month, or less."

Average payments to recipients, October 1966:

Fla.....	\$48. 90	Maine.....	\$50. 10	Oreg.....	\$47. 50
Ga.....	47. 85	Miss.....	39. 20	S.C.....	41. 30
Ind.....	49. 00	Nebr.....	46. 20	W. Va.....	44. 75

(2) *"Twenty-seven States do not even meet their own minimum standards for welfare payments."*

Twenty-four States ¹ were meeting less than their minimum standards (100 percent of basic need) according to the latest biennial report (January 1965). Figures for 1967 are not available but would probably reflect changes in some States.

State	Total monthly cost standard for basic needs	Percent of full need met by maximum payment to recipient
Alabama.....	\$117. 85	63. 6 (\$75. 00)
Alaska.....	221. 00	49. 8 (110. 00)
Arizona.....	107. 00	79. 4 (85. 00)
Arkansas.....	83. 00	88. 0 (73. 00)
Delaware.....	104. 00	96. 2 (100. 00)
Florida.....	111. 00	63. 1 (70. 00)
Georgia.....	81. 10	86. 3 (70. 00)
Indiana.....	107. 00	65. 4 (70. 00)
Kentucky.....	84. 00	94. 8 (79. 63)
Louisiana.....	123. 00	66. 7 (82. 00)
Michigan.....	108. 00	83. 3 (90. 00)
Minnesota.....	96. 20	73. 8 (71. 00)
Mississippi.....	90. 32	55. 4 (50. 00)
Missouri.....	89. 00	78. 7 (70. 00)
Nebraska.....	98. 50	76. 1 (75. 00)
New Mexico.....	107. 00	91. 1 (97. 50)
South Carolina.....	75. 55	92. 7 (70. 00)
South Dakota.....	101. 90	99. 0 (100. 90)
Tennessee.....	78. 00	96. 2 (75. 00)
Utah.....	100. 75	81. 4 (82. 00)
Vermont.....	117. 00	68. 4 (80. 00)
West Virginia.....	62. 69	85. 0 (53. 29)
Wisconsin.....	99. 30	75. 5 (75. 00)
Wyoming.....	132. 00	75. 8 (100. 00)

(3) *"The Federal Old-Age Assistance Act allows the States to provide special incentives to encourage older persons on welfare to seek employment. But almost half the States have not taken advantage of this provision."*

Twenty-six States have made some provision for exempting earnings: Persons 65 years and older can keep a maximum of \$50 of the first \$80 earned per month without having their assistance checks reduced.

¹ In addition, three States have maximums that do not exceed basic needs by as much as \$12 and thus cannot meet most special needs (Colorado, New Hampshire, Oklahoma).

Above provision in effect in 12 States:²

Arkansas	Georgia	Massachusetts
California	Hawaii	Ohio
Delaware	Kentucky	Oklahoma
Florida	Louisiana	Wisconsin

Optional provision in effect (can keep a maximum of \$30 of the first \$50 earned per month without having their assistance checks reduced): 14 States:²

Illinois	Nevada	Vermont
Kansas	New Hampshire	Virginia (disregards
Maryland	North Dakota	only first \$10 a
Missouri	Oregon	month)
Montana	Pennsylvania	Washington
Nebraska		

(4) *"To make vitally needed changes in public assistance laws, I recommend legislation to provided that—*

"State welfare agencies be required to raise cash payments to welfare recipients to the level the State itself sets as the minimum for subsistence;"

The States listed previously (in item 2) would have to remove their limitations on payments and/or eliminate percentage reductions which have been applied to assistance payments.

(5) *"State welfare agencies be required to bring these minimum standards up to date annually;"*

About half the States have updated their minimum standards this year—but do not do so annually.

(6) *"Each State maintain its welfare subsistence standards at not less than two-thirds the level set for medical assistance;"*

For example, if an aged person living alone on an income of \$2,400 a year would be eligible for coverage under the State's medical assistance program, the State's standard for public assistance payments to aged persons living alone would have to be at least \$1,600 a year (two-thirds of \$2,400).

(7) *"State welfare programs be required to establish a work-incentive provision for old-age assistance recipients;"*

Twenty-six States do make such a provision for old-age assistance recipients. (See item 3, above.)

21. CHILD WELFARE SERVICES

Children are among the most tragic victims of the tensions of modern life. An estimated 10,000 are brutally mistreated—some even killed—by parents each year. Thousands of others are being reared in broken homes in which they receive too little care because parents are mentally ill or retarded, or in trouble themselves.

Over one-half million children benefit each year from the services of professional child welfare workers with public agencies. Whenever possible, these workers enable children to stay in their own homes. They do this by counseling families on their problems, arranging for visiting housekeepers, training mothers in homemaking and child rearing, providing day care for children whose mothers must work, and in other ways.

² As reported Sept. 30, 1966.

When home care is impossible, child welfare workers arrange for foster or adoptive homes. They arrange special care for physically and mentally handicapped children, and help youngsters who have been discharged from institutions.

The problem

There are not enough child welfare services to meet the need:

Children in more than 1,000 counties have no child welfare services available; other counties have too few workers.

In some large cities, abandoned babies remain in hospitals because of the lack of home-finding services.

Many children are in institutions only because there is no one to locate their parents or find suitable foster homes.

Legislative proposal

The President's proposal would authorize the Federal Government to pay States 75 percent of the cost of employing and training additional child welfare personnel, the same percentage it now pays for public assistance services in public welfare agencies. The additional Federal aid would enable States and communities to provide more help to more children who need better care and protection.

22. NATIONAL DENTAL HEALTH PROGRAM FOR CHILDREN

Background and purpose

Dental decay attacks 97 percent of the children in this country by age 5 or 6. By age 15, the average child has 11 permanent teeth damaged or destroyed. Periodontal disease, which usually begins in childhood, becomes the major oral health problem and the principal cause of tooth loss in adults.

Of all children between the ages of 5 and 14, 45 percent have never seen a dentist. Among poor children, this figure is 65 percent; among nonwhite children, more than 70 percent. Poor children have five times as many decayed teeth as children from well-to-do families.

Because these conditions have cumulative destructive effects, the only hope of solving the national dental problem lies in preventing and treating dental diseases during childhood, when they are most effectively managed.

A full-scale dental program for children could prevent a repetition of the current pattern of neglect and within a generation could reduce the dental problem to manageable proportions. However, the critical shortage of dentists makes it impossible to establish a full-scale program immediately. To meet the need, the Nation will need to develop new systems of dental care and to train large numbers of auxiliary dental personnel to assist dentists.

The program

The proposed dental health program will emphasize several activities: a pilot program of dental care for needy children, training of auxiliary dental manpower, model dental clinics, and expanded research.

As a prelude to a full-scale national program, a 5-year pilot program will be conducted. This program, beginning in 1968, will provide dental care for 100,000 needy first-grade children in 10 selected communities and will continue to provide them with care over a 5-year period. The program will demonstrate the effectiveness of continued care beginning at an early age. It will provide information on the incidence of dental diseases; the dental manpower required for

initial care as compared with maintenance care; and the costs of providing such care. An important aspect of the program will be the provision of opportunities to train dental auxiliaries of all types and to develop improved training methods.

The purpose of the model dental clinics to be developed will be to explore the possibilities of expanding community dental care.

The expanded research in dental care will emphasize all aspects of applied research, including new types of materials and equipment, new types of services in the delivery of dental care, and dental health education for the public.

The total cost of the proposed program is estimated at \$5 million for the first year.

23. EXPANDED COMPREHENSIVE HEALTH SERVICE PROGRAMS FOR CHILDREN IN LOW-INCOME AREAS

Background

One-third of the preschool children who need treatment for eye difficulties do not see a doctor; 3 million children who need glasses today do not have them. One out of every four 18-year-olds is rejected by Selective Service for orthopedic or hearing defects that could have been prevented or corrected through proper medical attention in earlier years. Forty-five percent of the children in the United States between the ages of 5 and 14 have never seen a dentist, although tooth decay attacks 97 percent of all children by age 5 or 6.

These and other conditions affecting children and youth can be prevented or lessened if they are detected early enough and if treatment is provided.

Among poor children, the number of conditions that remain untreated is far greater than among the children of well-to-do families. In low-income areas, 6 out of every 10 children who suffer from one or more chronic conditions are not receiving any treatment.

Program

Under the 1965 Social Security Amendments, a program of special project grants for comprehensive health care for preschool and school-age children in low-income areas was authorized. These grants are administered by the Children's Bureau. They support up to 75 percent of the cost of projects which provide a broad range of screening, diagnostic, and preventive health services, corrective treatment, and dental health services for children and youth from 1 to 18 who live in low-income areas and would not otherwise receive such care because of economic or other reasons.

At the beginning of 1967, there were 28 such projects serving children in low-income areas in 18 cities and 31 counties, located in 17 States and the District of Columbia. About 1½ million children under 18 live in the deprived areas served by these comprehensive health care projects.

Expansion of services

The comprehensive health service projects are having a marked beneficial effect in the areas they are serving. Appropriations for this program were increased from \$15 million in fiscal year 1966, the first year of the program, to \$35 million in fiscal year 1967.

In order to expand the program to additional areas—as one aspect of the Nation's total efforts to provide more adequate health care for children—an appropriation of \$40 million is proposed for fiscal 1968, the full amount authorized in the present law.

24. INCREASED BENEFITS FOR CHILDREN UNDER SOCIAL SECURITY

At the beginning of this year, nearly 3.2 million children and young people were receiving child benefits under social security because their parents are retired, disabled, or deceased. Of this total, some 2.8 million children under age 18 were getting about \$138 million and another 0.4 million young people—full-time students between the ages of 18 and 22—were getting about \$24 million in benefits.

Under President Johnson's proposal for a 15-percent across-the-board increase in social security benefits, with a minimum benefit for a retired worker of \$70, an additional \$350 million in benefits would be paid to children and young people in the first full year. In addition, the social security survivorship protection that is now available to more than 95 out of 100 mothers and young children in the event of the family breadwinner's death would be substantially increased. This survivorship protection would be increased not only because of the general benefit increase but also because, under the proposed increases in the amount of annual earnings that is counted for social security contributions and for benefits, higher benefits based on higher earnings would be payable to the survivors of current workers who earn more than \$6,600, the maximum amount that can be counted for benefits under present law.

President Johnson has also recommended two changes in the law which would provide social security benefits for children who are not now eligible for them. Under one of these proposed amendments, children who were dependent on workers other than their parents—their grandparents, for example—would be able to qualify for benefits based on the social security earnings record of the relative on whom they were dependent. Benefits would be payable to a child on the earnings record of a worker other than his parent if the child was related to the worker and the child had been living with and supported by the worker.

Under the other proposed change, benefits would be payable on a deceased worker's earnings record to a child adopted by the surviving spouse if, before the worker's death, adoption proceedings had been initiated or the child had been placed in the worker's home for adoption but the actual adoption was not completed within 2 years after his death. Under the present law, benefits can only be paid if the child is adopted by the surviving spouse within 2 years after the worker's death.

These two proposed amendments to the social security law would result in the payment of \$10 million in benefits in the first year to 15,000 children who cannot now receive them.

25. PILOT PROJECTS TO FIND AND TEST IMPROVED METHODS OF MEETING HEALTH NEEDS OF CHILDREN

Background

To bring the full benefits of health and medical care to all children, under present procedures, would overtax not only the existing supply of health and medical personnel but all who could conceivably be trained by traditional methods.

Consequently, ways must be found to use skilled personnel more effectively and to train them more rapidly.

Proposals

In the pilot projects proposed by the President, there would be an opportunity to devise, test, and evaluate various ways of enabling the

supply of health personnel to meet the increased demand that would result if all children were provided with optimum health care and medical treatment and if adequate prenatal care were insured so that every child would have the best possible opportunity of being born healthy.

Systems for delivering health services: team combinations of pediatricians, nurses, and auxiliary staff; specialized training to equip nurses and others for duties they do not customarily perform—these are illustrative of approaches that would be developed and evaluated.

From these projects should come practical measures which can be used in communities throughout the Nation to obtain the manpower they need and to use this manpower in ways that will assure that every American child will grow up with the full measure of health that medical science can offer.

Estimated cost of the pilot projects is \$10 million.

In addition, it is proposed that \$3 million be added to other health professions educational assistance programs in order to aid the Nation's medical schools to train more obstetricians, pediatricians, and family physicians and to assist in the training of other health personnel for services to children.

26. WORK INCENTIVE PROGRAM

Present law

Under 1965 legislation States can permit children to earn up to \$50 a month per child (but not more than \$150 a month by the children in any one family) without having the family's public assistance check reduced. However, no such allowance can now be made for the earnings of adults.

Under the legislation, 19 States and the District of Columbia do not reduce this family's assistance check when children earn small sums of money. These States are:

Arkansas¹
California
Colorado
Delaware
Florida
Georgia

Hawaii
Illinois
Kentucky
Louisiana
Maine
Maryland

Massachusetts
Ohio
Oklahoma
South Dakota
Vermont
Virginia
Wisconsin



CMS Library
C2-07-13
7500 Security Blvd.
Baltimore, MD 2124

¹ Maximum of \$85 on earnings of children in one family.

Proposed law

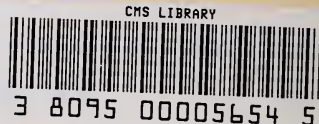
The President's proposal would allow adults or children in these families to earn a maximum of \$50 a month each, and permit a combined family earnings total of \$150 a month, with no reduction in the assistance check. The estimated Federal cost of the proposal is \$25 million for 1968.

27. FINDING AND TREATING HEALTH PROBLEMS OF NEEDY CHILDREN UNDER MEDICAL ASSISTANCE (TITLE XIX) PROGRAM

Background

Twenty-five States are now operating approved medical assistance programs under title XIX of the Social Security Act which was included in the 1965 Social Security Amendments.

Of these 25 States, eight limit their benefits to children whose families receive public assistance; 17 States also include children in



other low-income families provided a parent is dead, disabled, or absent; 11 of the 25 States will also pay for medical care for any child whose parents cannot afford to pay for the treatment he needs.

All States with title XIX programs must, by July 1, 1967, pay for four types of services for children: hospitalization, outpatient hospital care, physicians' services, and laboratory tests and X-rays. Most of the States cover some additional medical needs since, under this program, services provided to the aged must also be available to children.

Although only seven States specifically provide for preventive care, which could cover periodic health examinations and the correction of any handicapping conditions found, it is probable that some other States include this under their present plans. In general, however, States tend to pay only for treatment of conditions that are of such concern to the parents that they are actively seeking medical attention for the child. It is indicative of the limitations of present services that, even under title XIX, only 16 of the 25 States with title XIX programs will pay for eyeglasses and only 20 will pay for dental care.

Inadequacy of present expenditures for medical assistance for needy children

Families with dependent children comprise over half the people who receive public assistance, but only a small proportion of the public assistance funds spent for medical care have benefited these families.

In calendar year 1965, the year before title XIX went into effect, almost \$1½ billion in State and Federal funds (including \$602 million in Federal funds) went for medical care. However, only about \$165 million of this amount (including \$16½ million in Federal funds) went into the program of aid to families with dependent children (AFDC) which served more than 1.1 million needy families with about 3.3 million children. In other words, while families receiving public assistance under the AFDC program comprised over 50 percent of all public assistance recipients, only 11 percent of the public assistance funds spent for medical care benefited these children and their parents.

As recently as September 1966, four States (Arizona, Delaware, Mississippi, and South Carolina) made no provision for medical care for dependent children.

Proposals

To help meet the medical needs of children of low-income families more adequately in fiscal year 1968, it is estimated that \$221 million will be made available as the Federal share of title XIX programs that will be used for children. The availability of these Federal funds is expected to generate total expenditures of approximately \$417 million in Federal, State, and local funds for this purpose.

In addition, it is proposed that title XIX be amended to require, effective July 1, 1969, that States operating title XIX programs provide early and periodic screening of infants and children, and treatment and care for defects and chronic conditions found.

These steps—together with the proposed increase of \$15 million in the authorization for "Crippled Children's Services" and the requirement, effective July 1, 1967, that such services include periodic screening and diagnosis—will greatly strengthen the Nation's program to assure the good health of children and the early identification and treatment of defects and chronic conditions.